

ECONOMIC DEVELOPMENT COMMITTEE
SEPTEMBER 28, 1999
4:45 P.M.

The meeting of the Economic Development Committee was called to order by Councilman Hakeem, in the absence of Chairman Crockett. Councilmen Eaves, Franklin, Rutherford, and Hurley were present. Councilman Crockett, Taylor, and Pierce joined the meeting later. City Attorney Michael McMahan; Management Analyst Randy Burns; and Shirley Crownover, Assistant Clerk to the Council, were also present.

Others present included Adm. Boney, Mayor Kinsey, Ken Hays, Adm. Marcellis, and Scott Wilson.

DOWNTOWN DEVELOPMENT

Councilman Hakeem allowed Mayor Kinsey to report on this matter before Pem Guerry's Presentation of the Retail and Master Entertainment Plan. Mayor Kinsey reported that Adm. Boney has made application to the State of Tennessee for tourist development, and he would give a summary of what we are doing. He stated that our application has preliminarily been approved with three small modifications; one being the necessity of a new map, shifting the area of zone. The State says the zone can only be one mile in radius, and we shifted it a block. He stated that the map was a revised map. He explained that we were going to finance the Conference Center and Resource Center by this method; that we are trying to come to terms with TVA to acquire permanent easement for the Conference Center and parking garage; that there will also be a site for EPB; that there is another parcel where there is a very good prospect of putting another building on; that we may be able to purchase this from TVA for \$3 million; that it is being used for surface parking now; that there needs to be some "tweaking" as to how we will handle the parking needs as 209 parking spaces are being displaced. Mayor Kinsey stated that we are asking for a Resolution tonight authorizing the purchase of a Permanent Easement for a Conference Center from the United States of America, Tennessee Valley Authority, and authorizing him to execute any and all documents related thereto. Mayor Kinsey stated that we plan to break ground in the month of November.

Councilwoman Hurley asked who would operate the parking garage. Would it be CARTA? Mayor Kinsey responded that we will own the garage; that it may be put out to bid, but we have not gone that far. Councilwoman Hurley asked the Mayor to restate the deal.

Mayor Kinsey explained that \$117 million of projects will be financed through bonds; that sales tax in the downtown zone will be increased. He stated that everyone had worked together to get the Bill changed to work for us, and we were the only City that had applied, and we have gotten approval. He explained that the State would pay the majority of this because they recognize the economic benefits.

Councilman Hakeem asked if the one-mile radius had to be in a circle. Mayor Kinsey responded that one of the modifications was that we had to move it one block. Adm. Boney explained that the map is a work in progress. Councilman Hakeem stated he was talking about north of the river; that he could not picture what we had at UTC. Mayor Kinsey explained that we excluded UTC; that we were looking at the Aquarium, Central City, and Southside rather than trying to include the UTC campus, as they were not a great sales tax generator. He stated that \$3 million would be funded out of Economic Development.

Councilwoman Hurley asked if there was a definition as to what could be built. Mayor Kinsey responded that this was called the Convention Center Financing Act; that it has to be projects of 250,000 sq. ft. in size and has to be a tourist and convention related project.

Mr. Hays noted that there was also a Resolution on tonight's agenda authorizing the Mayor to enter into a Parking Agreement with the United States of American, Tennessee Valley Authority. Mayor Kinsey explained that this was an arrangement we are making with TVA to rent up to 209 parking spaces that are being displaced.

On motion of Councilwoman Hurley, seconded by Councilwoman Rutherford, these two resolutions will be recommended to the full Council.

PRESENTATION OF RETAIL & MASTER ENTERTAINMENT PLAN

Councilman Hakeem called on Pem Guerry, who thanked the Council, and stated that he had with him Phil McNeely and Michael Buckley. He asked how long they had for this presentation, and was told 30 minutes. Mr. Guerry stated that one of the primary factors was to keep the working force downtown; that the consultant had given us a challenge; that we had asked the consultant to analyze this to show development and that there is a market to support it; that once we determine the market, we need to know what the projects are and what to do to make it happen. He stated that we chose Michael Buckley as our consultant because of his development mentality and his broad contacts, which had opened doors for us. He stated what we were about to see was the Consultant's Plan and not the City of Chattanooga's Plan; that this Plan will be shown to others, and we should be able to have a "big presence" among major developers and brokers; that we had to decide how we prioritize this Plan and make it become a City of Chattanooga Plan for implementation. He introduced Mr. Buckley and turned the presentation over to him.

Mr. Buckley showed a map, stating that he had worked on a lot of projects but not primarily a retail project. He stated that retail is the glue that holds together pedestrian experiences; that industrial zones change and neighborhoods get re-defined; that businesses combine and things change. He stated that Chattanooga was at an interesting crossroad; that we had a pretty and unique physical setting; that our downtown area is narrow. He explained that he had divided the downtown area into four basic neighborhoods: (1) Culture and Entertainment around Ross's Landing; (2) Office Core extending down to TVA with 32,000 office workers that we hoped to get to spend more money downtown (right now there is not much to buy); (3) Southside, which is vast and where we need to concentrate on future assets. He stated one of the present assets was Warehouse Row, which gets lots of visitors; and (4) Provident Hill—what should happen with the empty lots at the top of the hill? Mr. Buckley stated that putting these pieces together was like chess pieces.

At this point Mr. Guerry explained that we had put very few constraints on Michael Buckley; that what he thinks the best possible Plan might be is not negotiated deals.

Mr. Buckley continued with the City's Plan for the future. He explained that demographics are not a good story; that he had compared Chattanooga to other cities of like size to see where we stand; that we have to convince retailers to open businesses where they can make money. He mentioned two roadblocks to this: (1) Slow population growth and (2) Situation of static income. He explained that we could not compete with the suburbs where there are two big malls; that they control 60% of the retail volume. He explained that downtown was no market for department stores, and we need to think through what pieces will make sense; these pieces being (1) Downtown office workers spend money; (2) Increase penetration within a 50-mile radius; these people come downtown for culture and entertainment—that we need to get affluent suburbanites to come downtown to eat dinner; and (3) Capturing the visitors and tourists—Chattanooga is doing a good job here.

Mr. Buckley stated that 800,000 people come to the Choo Choo because of its name recognition; yet right across the street is blown-away storefronts! He stated that from a survey 30% to 40% of the people that visit Lookout Mtn. come downtown; that we need to put something downtown that relates to the history of the Civil War, as a lot of people come to the area to visit Chickamauga Park. He stated that we need to look at the spending patterns of downtown workers; that we need 700,000 sq. ft. of new retail space and not one giant center. He stated we also need to build more houses downtown.

Mr. Buckley stated that what to do with office space was a real challenge; that all cities of Chattanooga's size have the same problems; that we need to fix this with an infield strategy; that this is difficult because it is so much easier to focus on big entertainment; that we need an infield strategy; that we need to stabilize the two ends of the City and work on the infield.

The next question was where can we find big sites? Mr. Buckley stated that we need retail concentrated; that a full block could be obtained for an Urban Entertainment Center project; that this needed to be “big box retail”. He mentioned the Smoke Stack site as being great for residential and also a great restaurant site. Also in this area could be a Farmer’s Market—an Urban Market. He noted that there was a great one in Philadelphia and a new one in Portland; that we would want one “themed” for Tennessee. He stated that Crafts were another big deal—that we could have artists’ studios and sell spaces. At this point Councilwoman Hurley interjected that we had started modestly on this on Frazier Avenue.

Mr. Buckley went on to talk about the Southside, noting that 800,000 people were going to the Choo Choo. He mentioned Antiques that were already a part of this area, suggesting an Auction Hall to sell Estate stuff and Flea Markets. He added that the convention people in this area would also be interested in things of this nature in Southside.

Mr. Buckley noted that he had gone over his “Before Plan” and what was to come next was his “After Plan”. He showed office buildings in the core of the downtown area, with housing, entertainment, farmer’s market, and arts and crafts at the north end, noting that we had to have an infield program to take care of the “missing teeth”. He stated what he was showing was a nice setting for downtown; that downtown did not have the sales volume for a Sears, Penneys, or a Nordstroms; that it was good for a Farmer’s Market at one end and Antiques on the Southside. He mentioned retailers for UTC’s needs in the MLK area. He urged to “think small, but to think clever”, noting that we had pretty interesting possibilities, even though our demographics “suck”. He reiterated that Chattanooga has a unique setting and had done a superb job with the Aquarium and the Choo Choo, noting that there is also a huge volume of visitors coming to the Civil War site.

Mr. Buckley stated that with all this we would need new parking garages to do this deal; that we would need a receiver garage to act as the main tourist garage, which would cause people to walk through the market; that it needs to be a “walking” environment. He mentioned the figure of \$200 million with 1600 to 1800 jobs in retail and a property tax of \$1 million. He stated that the prize would be the workforce and the ability to recruit into Chattanooga. He admitted that some of these pieces would be difficult to “pull off”, and the job of “infield” is thankless. He reiterated that the physical setting is great and noted that the airport is getting better. He mentioned that Atlanta is “choked” and people are looking around. Mr. Buckley noted that this was just a quick overview.

Mr. Guerry stated that they were pretty excited about this but needed input; that they would have to come back to City Hall and needed the City’s participation. He stated that they felt like they had got what they were looking for with Michael Buckley; that he could put us in front of people who are looking at Chattanooga; that Michael was as good as there is.

Councilwoman Hurley stated that these were terrific ideas; that we already had people in the City “dying” to do these things, mentioning a “torpedo factory”; that we already have artists interest in this and questioned if it could not be run by these people. She noted that the Regional History Museum wants to do these kind of things. She questioned if these people could not give reinforcement. Mr. Buckley responded that some of these things would require expertise beyond what some of these groups could provide. Councilwoman Hurley urged to not forget that people need help and encouragement. Mr. Buckley added that they need finances, too.

Councilwoman Rutherford stated that this was so exciting! She questioned if there was a way the City could take advantage of the Tourist Development Zone to help private people to do some of the development. Mayor Kinsey responded that we certainly could and could look at providing infrastructure to help the development happen. Councilwoman Rutherford questioned if we could build a building and lease it out to a Farmer’s Market. Mayor Kinsey responded that he would be nervous about pushing that envelope.

Councilman Taylor brought up the war history idea and asked if the Incline and War Museum would be a part of this. Mr. Buckley responded that something of this nature downtown should help the Incline and the War Museum; that we need something else downtown at the quality level of the Aquarium; that his view would be that it should help these outlying things.

Councilman Franklin asked Mr. Buckley how long he had been with Ernst and Young. The answer was 10 years. Councilman Hakeem noted that he had questions that he would get with Mr. Buckley about after the meeting.

Councilman Crockett stated that he wanted to get clear on the boundaries on going past a certain point in Southside. Mr. Buckley noted that anything in the Southside area should be “big box” retail.

CITY OF RED BANK NEWSLETTER

Mayor Kinsey asked to share with the Council a development that Cathy Gilbert had just shown him; the City of Red Bank is talking about what they should do about the current debate of the water issue and are considering a Franchise Agreement with the City of Chattanooga for the benefit of public ownership. Mayor Kinsey stated that communication with the the City Manager and City Attorney makes sense; that we are not trying to play favorites; that they are just asking that we look at anything they might pass, and it makes a lot of sense. He stated the Newsletter was well written, and he had just seen it today.

The meeting adjourned at 5:30 P.M.